



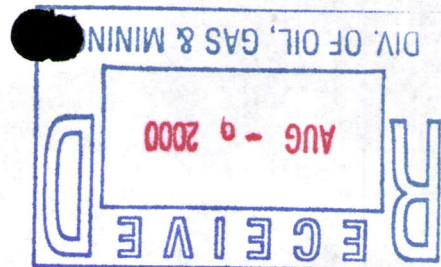
State of Utah

School and Institutional
TRUST LANDS ADMINISTRATION

Michael O. Leavitt
Governor

David T. Terry
Director

675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818
801-538-5100
801-355-0922 (Fax)
<http://www.trustlands.com>



August 4, 2000

5/003/052

CERTIFIED MAIL NO. P 959 217 978

Jeffrey L. Sagers
2016 South Montana Ave.
Provo, UT 84606

RE: ML 46649-BSLS: DOGM Permit # S/003/052

NOTICE OF BREACH OF LEASE AGREEMENT, ML 46649-BSLS

Dear Mr. Sagers,

On August 1, 2000, I visited the lease site and found the quarry in operation. About twenty loaded pallets of stone were sitting in a storage area south of the quarry. It is evident from the amount of surface disturbance that many more pallettes were stored and have been shipped and that a significant tonnage of flagstone has been quarried. I understand that production began from the leasehold during May, 2000. The trust lands administration has received no production reports or royalty payments on the stone.

ARTICLE VI of the lease agreement requires that Lessee submit production reports and royalty payments to Lessor on or before the last day of the month following the months in which the production occurs. Production reports and royalty payment upon May, 2000, production for ML 46649-BSLS were due in this office by June 30, 2000. Similarly, production reports and royalty payments for June production were due by July 31, 2000.

Lessee is hereby notified that Lessee is considered in breach of Article VI of the terms and conditions of ML 46649-BSLS by Lessor for failure to timely submit production reports and accrued royalties. If such breach shall continue for a period of thirty days from date of this letter this lease shall be subject to cancellation without further notice. All reports of production must be accompanied by copies of actual weight tickets. Interest shall be assessed upon late royalty as per Rule R850-5-300. Please contact me if you have any questions in this matter.

Sincerely,

John T. Blake
Mineral Resources Specialist

cc: Max Kunzler, c/o Bert Kunzler
Lynn Kunzler